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TN REGULATORY AUTHORITY

August 26, 2004

Chairman Pat Miller  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

RE: Abusive BellSouth Practice

Dear Chairman Miller,

I am enclosing a letter of complaint which I have lodged directly with BellSouth's credit office and Mr. Duane Ackerman. Since this touches on two pending contested cases, I wanted to send a copy to your office for filing in Docket 0400017 and Docket 0201274.

This is an important matter as it has dragged my bankers into this controversy. This cannot be allowed to become a standard practice by BellSouth.

Sincerely,

  
Jonathan V. Harlan, CEO

Enc.

Cc: Guy Hicks, F. Duane Ackerman, Union Planters, Henry Walker, Paul Wilbanks

August 26, 2004

Paul Wilbanks  
BellSouth  
Business Credit Manager  
1025 Lenox Park Blvd., 9B  
Atlanta, GA 30319

RE: Letter of Credit

Dear Mr. Wilbanks,

As you know, we have a \$100,000 letter of credit in BellSouth's favor at BancCorp South, however, I now feel your company cannot be trusted to properly utilize it.

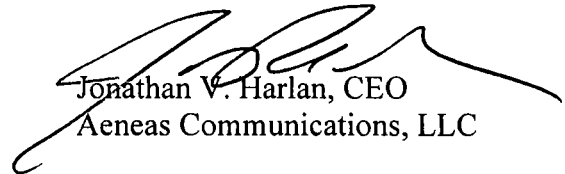
As our letter of credit approached its August 18, 2004 expiration date, I had our attorney call you and advise that we were switching banks and ask if we could be a day or two late in getting everything done. You advised him that you wouldn't grant more time and didn't want BellSouth "to be naked". We therefore hustled and arranged to switch banks on the date that the letter of credit was set to expire. Without so much as checking with us, on the 18<sup>th</sup> your office made demand on Union Planters to draw out \$72,000.

I pulled the file on the August 19, 2003 letter of credit that Aeneas put up at the demand of BellSouth. By its terms, BellSouth could only draw upon it for a 'failure to pay'. This demand must be presented with copies of unpaid invoices that have been issued to Aeneas. Since Aeneas does not owe BellSouth \$72,000 in current or past due invoices, BellSouth clearly breeched its fiduciary duty on August 18 by trying to snatch \$72,000 without a cause specified in our agreement. This insufficient documentation is no doubt why Union Planters later rejected your demand for payment. Prior to that, however, Union Planters placed a Stop Payment on my check that I deposited with BancCorp South, and now I'm having to explain to the two largest banks in town why BellSouth executed against my business' letter of credit which by its terms is to secure a 'failure to pay'. Just yesterday I had a bank officer not directly involved with this pull me aside and to ask me - 'Is everything alright'?

Aeneas has traditionally paid BellSouth in a timely manner. In cases of disputed charges, BellSouth has not acted in a timely manner to resolve issues and has in the past

referred to those disputed charges in support of increasing credit requirements. More recently, I have two examples where we have had to resort to sending our payments to BellSouth by certified, return receipt requested mail in order to verify that BellSouth is receiving payments from us well before the due date, but not posting them until after the due date and charging us a late fee. This is nothing but stealing. Our credit is fine, and it doesn't provide a basis for BellSouth's demand that we increase our collateral requirement. As we are a facilities based CLEC, there is good cause to anticipate that we will be using BellSouth's network less rather than more, thus making the case for a reduction in our collateral rather than an increase. With the apparent end of UNE-P set to occur this year and BellSouth price increases sure to follow, your increased profit margin should further lessen your need for credit protection.

I don't need BellSouth trying to damage my company's reputation with the local banking community by wrongfully making demands on unwarranted letters of credit securing against an unrealistic expectation of non-payment. It is clear that this security scheme is simply another BellSouth tactic to tie up the resources of CLECs to hamper the build out of competing network elements. This letter is being copied to our arbitration file at the Tennessee Regulatory Authority, case number 0400017 and also to case number 0201274 concerning other anti-competitive practices.



Jonathan V. Harlan, CEO  
Aeneas Communications, LLC

Cc: TRA, Guy Hicks, F. Duane Ackerman, Union Planters, Henry Walker